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TAGS: [PREL](#) [EFIN](#) [KNNP](#) [IR](#) [UNAU](#) [IT](#)
SUBJECT: ITALY LOOKS TO SANCTIONS COMMITTEE FOLLOW-UP ON
1737

REF: A. A:ROME 3378
[1](#)B. B:STATE 202585

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Classified By: Pol M/C David D. Pearce for reasons 1.4 (b) and (d).

Summary

[1](#)1. (S/NF) Pol M/C called MFA Political Director Giulio Terzi January 4 to follow up on GOI thinking following passage of UNSCR 1737, and in particular next steps on Bank Sepah and Iran's Aerospace Industries Organization (AIO). Terzi said the GOI has no plans to withdraw Bank Sepah's authority to operate in Rome but will do everything necessary to follow up on the resolution, including freezing assets pursuant to international or national decisions (e.g., a US executive order). To this end, Terzi advocated sanctions committee follow-up action on both Bank Sepah and AIO. Such action, he said, could effectively forbid the Bank Sepah-AIO operations, and turn the Rome Bank Sepah branch into "an empty box". He said an Italian inter-departmental group would meet soon to consider next steps on 1737 implementation. Calls to the Ministry of Finance and Bank of Italy showed that holiday schedules had interrupted consideration of the issue, with the Bank indicating that their own legal review of possibilities offered by 1737 would not be complete until about January 10. End Summary.

No GOI Plan, Yet, to Shut Down Bank Sepah

[1](#)2. (S) Terzi said there was nothing substantively new in Italy's position from what he had outlined to Treasury U/S Levey December 20 (ref A). There are no plans, for the moment, to block or withdraw the operating authority of Bank Sepah as such. However, GOI will do everything necessary to follow up on the resolution, including conditions for freezing assets pursuant to international or national decisions (e.g. US executive order.)

[1](#)3. (S/NF) Pol M/C said U/S Levey had made plain our interest in designating Bank Sepah. As a result of his talks here, Levey was also attuned to the need to coordinate public handling of any such designation carefully with GOI, given the importance and centrality of the Italian evidence. Pol M/C stressed that AIO, which we had already designated, remains another concern. Although Russia had removed AIO from the resolution's annex, Pol M/C said that we were urging

others to include it in their national designations.

But Sanctions Panel Could Make It "Empty Box"

¶4. (S) Terzi said the Russian UNSC permrep was expected to move on appointments to the sanctions committee the week of January 8, which will put an actual mechanism in place; the sanctions committee would not just be on paper. Bank Sepah and AOI should then be taken up in the committee as an urgent question. Sanctions committee action, he said, could effectively forbid the Bank Sepah-AIO operations, and turn the Rome bank branch into "an empty box". Terzi commented that sanctions committee action "could be a relief for everyone" because it would clarify matters, and he saw no reason why its actions could not go beyond what was actually in the resolution.

No MFA Objection to US Designation of Bank Sepah

¶5. (S/NF) Terzi said he and his colleagues had briefed FM D'Alema following the December 20 Levey meetings on the possibility of US designation of Bank Sepah, and Terzi had been confirmed in his views; the minister had issued no instructions for him to raise or object to such US action. He repeated, however, that the GOI did want coordination with the USG on public handling of any announcement.

¶6. (S) Terzi said the letter from Bank of Italy Governor Draghi to D'Alema had been received, and there had been some discussions in-house at the MFA. There will be further MFA discussions January 8 and 9 and an inter-departmental meeting on the subject January 10.

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Delayed Consideration at BoI and Finance

¶7. (C) Calls to the Ministry of Finance and Bank of Italy showed that the holidays had interrupted consideration of UNSC 1737 and its policy implications. Finance deferred discussion with us until January 8, while Deputy DG Carosio of the Bank of Italy, a participant in earlier discussions with Treasury U/S Levey, told Econ M/C that an in-house legal review would not be completed before about January 10.

Comment

¶8. (S) Terzi was careful to caveat that he was speaking before the GOI inter-departmental discussion. The lack of internal discussion at the Ministry of Finance and Bank of Italy make it difficult to draw any conclusions about positions and outcomes of the interagency review. From what Terzi said, however, it appears the MFA will be looking for, and even forward-leaning on, sanctions committee follow-up action on Bank Sepah and AIO. Whether the Ministry of Finance and the Bank of Italy are equally cooperative remains to be seen. End Comment.
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